

**BYLAWS**

**OF THE**

**ABAG PLAN CORPORATION**

**A California Non-Profit Public Benefit Corporation**

**Amended July 1, 1992**

**Amended October 8, 2003**

**Amended May 19, 2004**

**Amended June 11, 2008**

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# **BYLAWS OF ABAG PLAN CORPORATION**

A California Nonprofit Public Benefit Corporation

## **ARTICLE I**

### **NAME**

The name of this corporation shall be ABAG PLAN Corporation.

## **ARTICLE II**

### **OFFICES**

1. Principal Office. The principal office for the transaction of the business of the corporation ("principal executive office") is located at 101 - 8th Street, Oakland, County of Alameda, California. The directors may change the principal office from one location to another. Any change of this location shall be noted by the Secretary on these Bylaws opposite this section, or this section may be amended to state the new location.

2. Other Offices. The Board of Directors may at any time establish branch or subordinate offices at any place or places where the corporation is qualified to conduct its activities.

## **ARTICLE III**

### **RECITALS AND OBJECTIVES**

1. The Association of Bay Area Governments ("ABAG") and the cities listed in Appendix I (each a "Member Entity" and collectively the "Member Entities") have entered into a Liability Risk Coverage Agreement (the "Agreement") dated as of June 2, 1986 and revised as of July 1, 1992. Under the Agreement, the ABAG has agreed to provide liability insurance coverage, claims management and risk management services to each Member Entity. In return, each Member Entity has agreed to make premium payments including Administrative and Program Premiums to ABAG, and to cooperate with ABAG in the claims management and risk management programs.

2. The purpose of the Agreement is to benefit the citizens of each Member Entity by establishing a stable, cost-effective self-insurance, risk sharing and risk management program (ABAG PLAN) for each Member Entity.

3. The objectives of this corporation shall be to benefit the citizens of each Member Entity by assisting ABAG and by assisting ABAG and accepting the assignment of

certain of ABAG's rights and duties in the Agreement, including: (a) the right to establish overall policy in implementing the Agreement; (b) all of ABAG's rights to receive and collect all of the Administrative Premium and Program Premiums and all other amounts required to be paid to ABAG pursuant to the Agreement, (c) the right to exercise such rights and remedies conferred on ABAG pursuant to the Agreement as may be necessary or convenient (i) to enforce payment of the Administrative and Program Premiums and any other amounts required to be paid to ABAG or (ii) otherwise to protect the interests of ABAG in the event of a default by any ABAG under the Agreement, and (d) the right to establish the policy for a mandatory claims management and risk management program.

4. Neither the corporation nor its officers, employees or agents shall be subject to the direct control of ABAG or any Member Entity.

5. All capitalized terms shall have the meaning given to them in the Agreement.

#### **ARTICLE IV NONPARTISAN ACTIVITIES**

This corporation has been formed under the California Nonprofit Public Benefit Corporation Law, California Corporation Code Sections 5000, et seq., for the public purposes described above, and it shall be nonprofit and nonpartisan. The corporation shall not participate or intervene (including publishing or distributing statements) in any political campaign on behalf of any candidate for public office.

#### **ARTICLE V DEDICATION OF ASSETS**

The properties and assets of this nonprofit corporation are irrevocably dedicated to promoting the social welfare of the citizens of the San Francisco Bay Area. No part of the net earnings, properties, or assets of this corporation, on dissolution or otherwise, shall inure to the benefit of any private person or individual, or any director of this corporation. On liquidation or dissolution, all properties and assets and obligations shall be distributed and paid over to ABAG and the Member Entities.

#### **ARTICLE VI MEMBERSHIP**

This corporation shall have no members.

**ARTICLE VII**  
**DIRECTORS**

1. Powers.

(a) General corporate powers. Subject to the provisions of the California Nonprofit Corporation Law and any limitations in the Agreement, Articles of Incorporation and these Bylaws, the business and affairs of the corporation shall be managed, and all corporate powers shall be exercised, by or under the direction of the Board of Directors.

(b) Specific powers. Without prejudice to these general powers, and subject to the same limitations, the directors shall have the power to:

(i) Select and remove all officers of the corporation and legal counsel to the corporation; prescribe any powers and duties for them that are consistent with law, with the Articles of Incorporation, and with these Bylaws; and fix their compensation.

(ii) Change the principal executive office or the principal business office in the State of California from one location to another; cause the corporation to be qualified to do business in any other state, territory, dependency, or country and conduct business within or outside of the State of California; and designate any place within or outside the State of California for the holding of any meetings.

(iii) Adopt, make, and use a corporate seal, if desired.

(iv) Borrow money and incur indebtedness on behalf of the corporation and cause to be executed and delivered for the corporation's purposes, in the corporate name, promissory notes, bonds, debentures, deeds of trust, mortgages, pledges, hypothecations, and other evidences of debt and securities.

(v) Annually set Administrative Premium, and program Premiums within the standards and criteria set forth in Section 4.4 of the Agreement.

(vi) Annually set an Administrative Premium allocation formula.

(vii) Provide legal defense, claims management and risk management services for Member Entities.

(viii) Collect Program Premiums and Administrative Premiums.

2. Numbers. The authorized number of directors shall be equal to the number of Member Entities in ABAG PLAN.

3. Appointment of Directors and Alternates.

(a) The governing body of each Member Entity in ABAG PLAN shall each appoint one (1) director and one (1) voting alternate director to serve at the respective Member Entity's pleasure.

(b) Each appointment shall set forth the director's or alternate's name and his/her position with the Member Entity.

4. Alternates. Alternates may attend any meeting of the Board of Directors but may vote only if the director for whom the alternate serves is absent. All provisions of these Bylaws relating to directors shall also apply to alternates.

5. Vacancies.

(a) Events causing vacancy. A vacancy or vacancies in the Board of Directors shall be deemed to exist on the occurrence of the following: (i) the death, resignation, or removal of any director; (ii) the removal, dismissal or resignation of a director from the position he/she held with the appointing Member Entity at the time of his/her appointment; (iii) the declaration by resolution of the Board of Directors of a vacancy of the office of a director who has been declared of unsound mind by an order of court or convicted of a felony or has been found by final order or judgment of any court to have breached a duty under Sections 5230 and following of the California Nonprofit Corporation Law; or (iv) the increase of the authorized number of directors.

(b) Resignations. Except as provided in this paragraph, any director may resign, which resignation shall be effective on giving written notice to the President or the Secretary unless the notice specifies a later time for the resignation to become effective. No director may resign when the corporation would then be left without a duly elected director or directors in charge of its affairs.

(c) Vacancies. Pursuant to Section 3 of this Article, the Member Entity shall appoint a director, or directors, at any time to fill any vacancy or vacancies.

(d) Reduction or Increase in Number of Directors. The authorized number of directors shall be reduced by one (1) for each Member Entity who has withdrawn, has been expelled from ABAG PLAN or whose Coverage has been canceled. The authorized number of directors shall be increased by one (1) for each addition or reinstatement of a Member Entity to Coverage.

(e) Restriction on Interested Directors. Not more than forty-nine percent (49%) of the persons serving on the Board of Directors at any time may be interested persons. An interested person is (1) any person being compensated by the corporation for services rendered to it within the previous twelve (12) months, whether as a full-time or part-time employee, independent contractor, or otherwise, excluding any reasonable compensation paid to a director as director; and (2) any brother, sister, ancestor, descendant, spouse, brother-in-law, sister-in-law, mother-in-law, or father-in-law of any such person. However, any violation

of the provisions of this paragraph shall not affect the validity or enforceability of any transaction entered into by the corporation.

6. Place of Meetings; Meetings by Telephone. Upon seven (7) days prior written notice, regular meetings of the Board of Directors may be held at any place permitted under the Ralph M. Brown Act. In the absence of such designation, regular meetings shall be held at the principal executive office of the corporation. Special meetings of the Board shall be held at any place permitted by the Ralph M. Brown Act. Any meeting, regular or special, may be held by conference telephone or similar communication equipment, so long as all directors participating in the meeting can hear one another, and all such directors shall be deemed to be present in person at such meeting.

7. Regular Meetings. Regular meetings of the Board of Directors shall be held at such time as shall from time to time, and no less than one time per fiscal year, be fixed by the Board of Directors.

8. Special Meetings.

(a) Authority to call. Special meetings of the Board of Directors for any purpose may be called at any time by the Chairman of the Board or the President, or any vice president, the Secretary, or any three (3) directors.

9. Notice.

(a) Manner of Giving -- Regular Meetings. Notice of the time and place of regular meetings shall be given to each director by one of the following methods: (i) by personal delivery of written notice; (ii) by first-class mail, postage paid; (iii) by facsimile, or (iv) by email.

(b) Manner of Giving -- Special Meetings. Notice of the time and place of special meetings shall be given to each director by any of the methods set forth in Subsection 9(a), or (i) by telephone communication, either directly to the director or to a person at the director's office who would reasonably be expected to communicate such notice promptly to the director; or (ii) by telegram, charges prepaid.

(c) Address. All such notices shall be given or sent to the director's address or telephone number as shown on the records of the corporation.

(d) Notice Contents. The notice shall state the time and place for the meeting, and the purpose(s) of the meeting.

(e) Ralph M. Brown Act. All meetings shall comply with the Ralph M. Brown Act.

10. Quorum. A majority of the authorized number of directors shall constitute a quorum for the transaction of business, except to adjourn as provided in Section 12 of this

Article VII. Every act or decision done or made by a majority of the directors present at a meeting duly held at which a quorum is present shall be regarded as the act of the Board of Directors, subject to the provisions of the California Nonprofit Corporation Law, especially those provisions relating to (i) approval of contracts or transactions in which a director has a direct or indirect material financial interest, (ii) appointment of committees, and (iii) indemnification of directors; and further subject to the voting requirement of these Bylaws. A meeting at which a quorum is initially present may continue to transact business, notwithstanding the withdrawal of directors, if any action taken is approved by at least a majority of the required quorum for that meeting.

11. Reserved.

12. Adjournment. A majority of the directors present, whether or not constituting a quorum, may adjourn any meeting to another time and place.

13. Notice of Adjournment. Notice of the time and place of holding an adjourned meeting need not be given, unless the meeting is adjourned for more than twenty-four (24) hours, in which case personal notice of the time and place shall be given before the time of the adjourned meeting to the directors who were not present at the time of the adjournment.

14. Reserved.

15. Fees and Compensation of Directors. Directors and members of committees may receive such reimbursement of expenses as may be determined by resolution of the Board of Directors to be just and reasonable.

16. Delegation of Powers. The Board of Directors may delegate any of its powers.

## **ARTICLE VIII COMMITTEES**

1. Committees of Directors. In addition to the Claims Committee, Actuarial Committee, Risk Management Committee, and Finance Committee, the Board of Directors may, by resolution adopted by a majority of the directors then in office, designate one (1) or more committees, each consisting of two (2) or more directors, to serve at the pleasure of the Board. Any committee, to the extent provided in the resolution of the Board, shall have all the authority of the Board, except that no committee, regardless of Board resolution, may:

(a) take any final action on matters which, under the Nonprofit Corporation Law of California, requires approval of a majority of all the directors;

(b) fix compensation of the directors for serving on the Board or on any committee;

- (c) amend or repeal bylaws or adopt new bylaws;
- (d) amend or repeal any resolution of the Board of Directors which by its express terms is not so amendable or repealable;
- (e) appoint any other committees of the Board of Directors or the members of these committees;
- (f) approve any transaction (1) to which the corporation is a party and one (1) or more director have a material financial interest; or (2) between the corporation and one (1) or more of its directors or between the corporation or any person or entity in which one (1) or more of its directors have a material financial interest.

2. Meetings and Action of Committees. Meetings and action of committees shall be governed by, and held and taken in accordance with, the provisions of Article VII of these Bylaws, concerning meetings of directors, with such changes in the context of those Bylaws as are necessary to substitute the committee and its members for the Board of Directors and its members, except that the time for regular meetings of committees may be determined either by resolution of the Board of Directors or by resolution of the committee. Special meetings of committees may also be called by resolution of the Board of Directors. Notice of special meetings of committees shall also be given to any and all alternates, who shall have the right to attend all meetings of the committee. Minutes shall be kept of each meeting of any committee and shall be filed with the corporate records. The Board of Directors may adopt rules for the government of any committee not inconsistent with the provisions of these Bylaws.

3. Executive Committee. A standing committee consisting of nine members: the Chair and Vice-Chair of the Board, the Chair of each standing committee, or if the chair of a standing committee is the Chair or Vice-Chair of the Board, a representative of such standing committee appointed by the committee and three at-large members of the Board elected by the Board. The Executive Committee may exercise all powers of the Board necessary to further the timely and orderly conduct of business, except it may not

- (a) set premiums,
- (b) select or remove officers or legal counsel to the Corporation,
- (c) borrow money, or
- (d) amend these Bylaws or the Risk Coverage Agreement.

4. Claim Committee (Liability). A standing committee consisting of no less than three (3) directors and any other person(s) appointed by the Board shall be charged with the duty and responsibility of:

- (a) reviewing and authorizing all payment of Settlements which exceed a Member Entity's deductible or upon request by the ABAG or Member Entity,
- (b) establishing a Defense Counsel list, and

(c) hearing the initial appeal on all staff determinations of coverage for, and settlement of, a third party claim against a Member.

5. Actuarial Committee (Liability). A standing committee consisting of no less than three (3) directors and any other person(s) appointed by the Board shall be charged with the duty and responsibility of:

(a) issuing a Request for Proposals for an Actuarial Consultant, as defined in the Agreement, to annually set total Program Funding (Liability) and allocates total Program Funding (Liability) among the Member Entities (Actuarial Report). The committee may issue a separate Request for Proposals for, or in the same Request for Proposals require, an Actuarial Consultant to serve any other purpose required under the Agreement or as determined by the Board of Directors. The committee shall review all proposals submitted and select an Actuarial Consultant for the Board of Directors. The committee shall have oversight of the preparation of the annual Actuarial Report.

(b) evaluating excess insurance, reinsurance, stop loss insurance and other third party risk transfer mechanisms for compatibility with PLAN Program goals, cost effectiveness and security.

(c) recommending yearly Program Funding based on the Actuarial Report and the PLAN Funding Policy.

(d) recommending amendments to the Program Memorandum based on legal or actuarial evidence of the soundness of such amendments.

6. Risk Management Committee. A standing committee consisting of no less than three (3) directors and any other person(s) appointed by the Board shall be charged with the duty and responsibility of:

(a) reviewing and making recommendations to the Board for risk management programs, including but not limited to, voluntary and mandatory program changes in Member activities, and restrictions on coverage,

(b) reviewing and making recommendations to the Board on applications for admissions, expulsion, withdrawal notices and proposals for cancellation, including but not limited to, the terms and conditions under which such admissions, withdrawals, expulsions and cancellations are implemented.

7. Finance Committee. A standing committee consisting of no less than three (3) directors and any other person(s) appointed by the Board shall be charged with the duty and responsibility of:

(a) reviewing and making recommendations to the Board on the results of the PLAN's annual financial audit,

(b) reviewing and making recommendations to the Board regarding the PLAN's investments and Investment Policy.

## **ARTICLE IX OFFICERS**

1. Officers. The officers of the corporation shall be the Chair and Vice-Chair of the Board, a president, a secretary, and a chief financial officer. The Chair and Vice-Chair shall be directors. Except as otherwise elected by the Board, the Executive Director of ABAG shall be the President of the corporation, the Director of Finance for ABAG shall be the Chief Financial Officer of the corporation and the Risk Manager shall be the Secretary. Any number of offices may be held by the same person, except that neither the Secretary nor the Chief Financial Officer may serve concurrently as either the President or the Chair or Vice-Chair of the Board.

2. Election of Officers. At the first meeting of the Board of directors, and at each annual meeting thereafter, nominations for the officers shall be made and seconded by a director. If more than two (2) names are received in nomination for any one office, balloting shall occur until a nominee receives a majority of the votes cast; provided that after the first ballot the nominee receiving the fewest votes shall be dropped from the balloting. Each officer shall serve a one (1) year term. Any officer except the Chair and Vice-Chair may succeed himself/herself and may serve any number of consecutive or non-consecutive terms. The Chair and Vice-Chair may succeed himself/herself only if his/her first term was filled as a result of a vacancy in the office.

3. Removal of Officers. An officer may be removed, with or without cause, by a two-thirds (2/3) vote of the Board of Directors at a regular or special meeting.

4. Vacancies. Any vacancy in any office because of death, resignation, removal, disqualification, or any other cause shall be filled for the balance of the vacated term in the manner prescribed in these Bylaws for regular appointments to that office; provided, however, that such vacancies may be filled at any regular or special meeting of the Board of Directors.

5. Resignation of Officers. Any officer may resign at any time by giving written notice to the President or Secretary. Any resignation shall take effect at the date of the receipt of that notice or at any later time specified in that notice; and, unless otherwise specified in that notice, the acceptance of the resignation shall not be necessary to make it effective. Any resignation is without prejudice to the rights, if any, of the corporation under any contract to which the officer is a party.

6. Responsibilities of Officers.

(a) Chair of the Board. The Chair of the Board shall preside at meetings of the Board of Directors and exercise and perform such other powers and duties as may be from time to time assigned to him/her by the Board of Directors or prescribed by the Bylaws.

(b) Vice-Chair of the Board. The Vice-Chair of the Board shall fulfill all the duties of the Chair in his/her absence.

(c) President. Subject to such supervisory powers as may be given by the Board of Directors to the Chairman of the Board, the President shall, subject to the control of the Board of Directors, generally supervise, direct, and control the business and the employees of the corporation. He or she shall have such other powers and duties as may be prescribed by the Board or the Bylaws.

(d) Secretary. The Secretary shall attend to the following:

(i) Book of minutes. The Secretary shall keep or cause to be kept, at the principal executive office or such other place as the Board of Directors may direct, a book of minutes of all meetings and actions of directors and committees of directors, with the time and place of holding, whether regular or special, and, if special, how authorized, the notice given, the names of those present at such meetings and the proceedings of such meetings.

(ii) Notices, seal and other duties. The Secretary shall give, or cause to be given, notice of all meetings of the Board of Directors required by the Bylaws to be given. He or she shall keep the seal of the corporation, if any, in safe custody. He or she shall have such other powers and perform such other duties as may be prescribed by the Board of Directors or the Bylaws.

(e) Chief financial officer. The Chief Financial Officer shall attend to the following:

(i) Books of account. The Chief Financial Officer shall keep and maintain, or cause to be kept and maintained, adequate and correct books and records of accounts of the properties and business transactions of the corporation, including accounts of its assets, liabilities, receipts, disbursements, gains, losses, capital, retained earnings, and other matters customarily included in financial statements. The books of account shall be open to inspection by any director at all reasonable times.

(ii) Deposit and disbursement of money and valuables. The Chief Financial Officer shall deposit all money and other valuables in the name and to the credit of the corporation with such depositories as may be designated by the Board of Directors; shall disburse the funds of the corporation as may be ordered by the Board of Directors; shall render

to the President and directors, whenever they request it, an account of all of his/her transactions as Chief Financial Officer and of the financial condition of the corporation; and shall have other powers and perform such other duties as may be prescribed by the Board of Directors or the Bylaws.

(iii) Bond. If required by the Board of Directors, the Chief Financial Officer shall give the corporation a bond in the amount and with the surety or sureties specified by the Board for faithful performance of the duties of his/her office and for restoration to the corporation of all its books, papers, vouchers, money, and other property of every kind in his/her possession or under his/her control on his/her death, resignation, retirement, or removal from office.

## **ARTICLE X OPERATIONS FUNDS**

1. Deposit of Administrative Premiums. All payments by Member Entities attributable to Administrative Premium shall be deposited into an Operations Fund.
2. Limitations on Funds. None of the moneys in the Operations Funds may be used to pay any settlement or are liable for payment of any settlement.

## **ARTICLE XI PURCHASE OF INSURANCE**

Purchase of Coverage. In conformance with the procedures and criteria set forth in Section 3.5 of the Agreement, the Board of Directors may cause the corporation to purchase commercial insurance or reinsurance or terminate commercial insurance or reinsurance up on a majority vote of the membership of the Board of Directors.

## **ARTICLE XII INDEMNIFICATION OF DIRECTORS, OFFICERS, EMPLOYEES, AND OTHER AGENTS**

1. Definitions. For the purpose of this Article,
  - (a) "agent" means any person who is or was a director, officer, employee, or other agent of this corporation, or is or was serving at the request of this corporation as a director, officer, employee, or agent of another foreign or domestic corporation, partnership, joint venture, trust, or other enterprise, or was a director, officer, employee, or agent of a foreign or domestic corporation that was a predecessor corporation of this corporation or of another enterprise at the request of the predecessor corporation;

(b) "proceeding" means any threatened, pending, or completed action or proceeding, whether civil, criminal, administrative, or investigative; and

(c) "expenses" includes, without limitation, all attorneys' fees, costs, and any other expenses incurred in the defense of any claims or proceedings against an agent by reason of his position or relationship as agent and all attorneys' fees, costs, and other expenses incurred in establishing a right to indemnification under this Article.

2. Successful Defense by Agent. To the extent that an agent of this corporation has been successful on the merits in the defense of any proceeding referred to in this Article, or in the defense of any claim, issue, or matter therein, the agent shall be indemnified against expenses actually and reasonably incurred by the agent in connection with the claim. If an agent either settles any such claim or sustains a judgment rendered against him or her, then the provisions of Sections 3 through 5 shall determine whether the agent is entitled to indemnification.

3. Actions Brought by Persons Other Than the Corporation. Subject to the required findings to be made pursuant to Section 5, below, this corporation shall indemnify any person who was or is a party, or is threatened to be made a party, to any proceeding other than an action brought by, or on behalf of, this corporation, or by an officer, director or person granted related status by the Attorney General, or by the Attorney General on the ground that the defendant director was or is engaging in self-dealing within the meaning of California Corporations Code Section 5233, or by the Attorney General or a person granted related status by the Attorney General for any breach of duty relating to assets held in charitable trust, by reason of the fact that such person is or was an agent of this corporation, for all expenses, judgments, fines, settlements, and other amounts actually and reasonably incurred in connection with the proceeding.

4. Action Brought by or On Behalf of the Corporation.

(a) Claims settled out of court. If an agent settles or otherwise disposes of a threatened or pending action brought by or on behalf of this corporation, with or without court approval, the agent shall receive no indemnification for either amounts paid pursuant to the terms of the settlement or other disposition or for any expenses incurred in defending against the proceeding, unless it is settled with the approval of the Attorney General.

(b) Claims and suits awarded against agent. This corporation shall indemnify any person who was or is a party or is threatened to be made a party to any threatened, pending, or completed action brought by or on behalf of this corporation by reason of the fact that the person is or was an agent of this corporation, for all expenses actually and reasonably

incurred in connection with the defense of that action, provided that both of the following are met:

(i) The determination of good faith conduct required by Section 5, below, must be made in the manner provided for in that section; and

(ii) Upon application, the court in which the action was brought must determine that, in view of all the circumstances of the case, the agent should be entitled to indemnity for the expenses incurred. If the agent is found to be so entitled, the court shall determine the appropriate amount of expenses to be reimbursed.

5. Determination of Agent's Good Faith Conduct. The indemnification granted to an agent in Sections 3 and 4 above is conditioned on the following:

(a) Required standard of conduct. The agent seeking reimbursement must be found, in the manner provided below, to have acted in good faith, in a manner he/she believed to be in the best interest of this corporation, and with such care, including reasonable inquiry, as an ordinarily prudent person in a like position would use in similar circumstances. The termination of any proceeding by judgment, order, settlement, conviction, or on a plea of *noel contendere* or its equivalent shall not, of itself, create a presumption that the person did not act in good faith or in a manner which he/she reasonably believed to be in the best interest of this corporation or that he/she had reasonable cause to believe that his/her conduct was unlawful. In the case of a criminal proceeding, the person must have had no reasonable cause to believe that his/her conduct was unlawful.

(b) Manner of determination of good faith conduct. The determination that the agent did act in a manner complying with Paragraph (a) above shall be made by:

(i) the Board of Directors by a majority vote of a quorum consisting of directors who are not parties to the proceeding; or

(ii) the court in which the proceeding is or was pending. Such determination may be made on application brought by this corporation or the agent or the attorney or other person rendering a defense to the agent, whether or not the application by the agent, attorney, or other person is opposed by this corporation.

6. Limitations. No indemnification or advance shall be made under this Article, except as provided in Sections 2 or 5(b)(iii), in any circumstance when it appears:

(a) That the indemnification or advance would be inconsistent with a provision of the Articles or an agreement in effect at the time of the accrual of the alleged cause of action asserted in the proceeding in which the expenses were incurred or other amounts were paid, which prohibits or otherwise limits indemnification; or

(b) That the indemnification would be inconsistent with any condition expressly imposed by a court in approving a settlement.

7. Advance of Expenses. Expenses incurred in defending any proceeding may be advanced by this corporation before the final disposition of the proceeding on receipt of an undertaking by or on behalf of the agent to repay the amount of the advance unless it is determined ultimately that the agent is entitled to be indemnified as authorized in this Article.

8. Contractual Rights of Nondirectors and Non-officers. Nothing contained in this Article shall affect any right to indemnification to which persons other than directors and officers of this corporation, or any subsidiary hereof, may be entitled by contract or otherwise.

9. Insurance. The Board of Directors may adopt a resolution authorizing the purchase and maintenance of insurance on behalf of any agent of the corporation against any liability other than for violating provisions against self-dealing asserted against or incurred by the agent in such capacity or arising out of the agent's status as such, whether or not this corporation would have the power to indemnify the agent against that liability under the provisions of this section.

### **ARTICLE XIII RECORDS AND REPORTS**

1. Maintenance of Corporate Records. The corporation shall keep:  
(a) Adequate and correct books and records of account;  
(b) Minutes in written form of the proceedings of its Board, and committees of the Board.

All such records shall be kept at the corporation's principal executive office, or if its principal executive office is not in the State of California, at its principal business office in this state.

2. Inspection Rights.  
(a) Any Member Entity may inspect the accounting books and records and minutes of the proceedings of the Board and committees of the Board, at any reasonable time, for a purpose reasonably related to such person's interest.

(b) Any inspection and copying under this section may be made in person or by an agent or attorney or the entity entitled thereto and the right of inspection includes the right to copy and make extracts.

3. Maintenance and Inspection of Articles and Bylaws. The corporation shall keep at its principal executive office, or if its principal executive office is not in the State of California, at its principal business office in this state, the original or copy of the Articles and

Bylaws as amended to date, which shall be open to inspection by any Member Entity at all reasonable times during office hours. If the principal executive office of the corporation is outside the State of California and the corporation has no principal business office in this state, the Secretary shall, on the written request of any member of the governing body of a Member Entity furnish to that member a copy of the Articles and Bylaws as amended to date.

4. Inspection by Directors. Every director shall have the absolute right at any reasonable time to inspect all books, records, and documents of every kind and the physical properties of the corporation and each of its subsidiary corporations. This inspection by a director may be made in person or by an agent or attorney, and the right of inspection includes the right to copy and make extracts of documents.

5. Annual Report.

(a) Not later than one hundred twenty (120) days after the close of the corporation's fiscal year, the Board shall cause an annual report prepared by a certified public accountant to be sent to the governing body of each Member Entity. Such report shall contain the following information in reasonable detail:

(i) The assets and liabilities, including the trust funds, of the corporation as of the end of the fiscal year.

(ii) The principal changes in assets and liabilities, including trust funds, during the fiscal year.

(iii) The revenue or receipts of the corporation, both unrestricted and restricted to particular purposes, for the fiscal year.

(iv) The expenses or disbursements of the corporation, for both general and restricted purposes, during the fiscal year.

(v) Any information required by Section 6 of this Article.

(b) The report required by this Section shall be accompanied by any report thereon of independent accountants, or, if there is no such report, by the certificate of an authorized officer of the corporation that such statements were prepared without audit from the books and records of the corporation.

6. Fiscal Year. The corporation's fiscal year shall be from July 1 to June 30.

## **ARTICLE XVI**

### **CONSTRUCTION AND DEFINITIONS**

Unless the context requires otherwise, the general provisions, rules of construction, and definitions in the California Nonprofit Corporation Law shall govern the

construction of these Bylaws. Without limiting the generality of the above, the masculine gender includes the feminine and neuter, the singular number includes the plural, the plural number includes the singular, the term "person" includes both the corporation and a natural person and any capitalized term not defined in these Bylaws shall have the meaning ascribed to them in the Agreement.

**ARTICLE XV**  
**AMENDMENTS**

1. Amendment by Directors. Subject to the limitations set forth below, the Board of Directors may adopt, amend or repeal Bylaws. Such power is subject to the following limitations:

(a) The Board of Directors may not amend a bylaw provision fixing the authorized number of directors or the minimum and maximum number of directors.

(b) If any provision of these Bylaws requires the vote of a larger proportion of the directors than otherwise required by law, such provision may not be altered, amended or repealed except by vote of such larger number of directors.

(c) The Board of Directors may not delete or amend Bylaw provisions requiring compliance with the Agreement except as provided in the Agreement.